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THE Marketing and Transportation SITUATION



BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

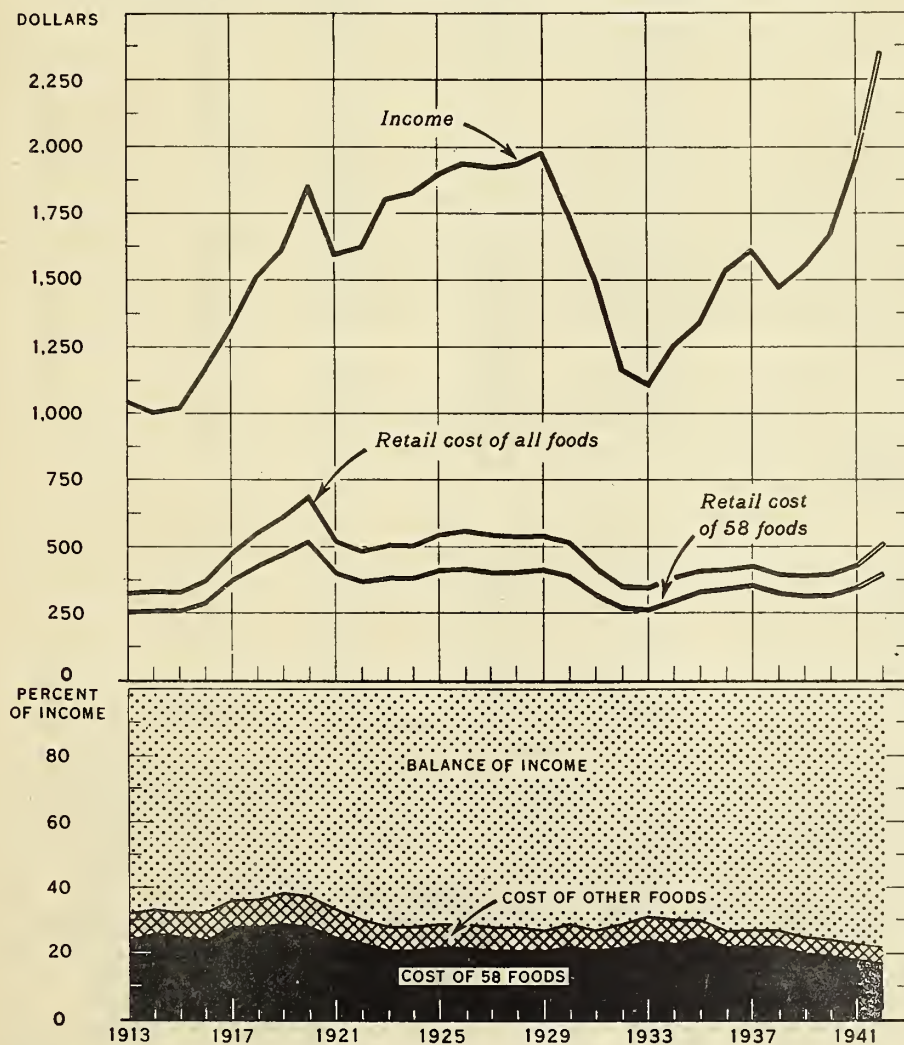
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SEPTEMBER-OCTOBER 1942

1943 OUTLOOK ISSUE WITH CHARTS

NONFARM FAMILY INCOME AND COST OF COMPARABLE FAMILY FOOD PURCHASES, UNITED STATES, 1913-41, AND AUGUST 1942



U. S. DEPARTMENT OF AGRICULTURE

NEG. 39888 BUREAU OF AGRICULTURAL ECONOMICS

FAMILY FOOD COSTS REPRESENT A RECORD LOW PROPORTION OF URBAN FAMILY INCOME. THIS REFLECTS MAINLY THE RAPID INCREASE OF INCOMES DUE TO WAR ACTIVITY, AND RELATIVELY LOW MARKETING CHARGES ARE A CONTRIBUTING FACTOR.

Table 1.- Nonfarm family income and cost of family food purchases, 1913 - 1942

Year and month	:	Family income	:	Retail cost of all foods	:	Retail cost of 58 foods	:	Food cost as percent- age of income	
								All	58
								foods	foods
		Dollars		Dollars		Dollars		Percent	Percent
1913	:	1,046	:	326	:	252	:	31	24
1914	:	1,013	:	334	:	258	:	33	25
1915	:	1,029	:	330	:	258	:	32	25
1916	:	1,176	:	370	:	285	:	31	24
1917	:	1,329	:	477	:	370	:	36	28
1918	:	1,513	:	548	:	424	:	36	28
1919	:	1,624	:	611	:	470	:	38	29
1920	:	1,857	:	688	:	514	:	37	28
1921	:	1,599	:	523	:	404	:	33	25
1922	:	1,629	:	489	:	374	:	30	23
1923	:	1,810	:	506	:	384	:	28	21
1924	:	1,829	:	501	:	381	:	27	21
1925	:	1,905	:	542	:	410	:	28	22
1926	:	1,944	:	560	:	418	:	29	22
1927	:	1,927	:	539	:	406	:	28	21
1928	:	1,942	:	533	:	407	:	27	21
1929	:	1,979	:	540	:	415	:	27	21
1930	:	1,762	:	514	:	391	:	29	22
1931	:	1,505	:	424	:	322	:	28	21
1932	:	1,159	:	353	:	270	:	30	23
1933	:	1,105	:	343	:	264	:	31	24
1934	:	1,251	:	382	:	295	:	31	24
1935	:	1,338	:	409	:	331	:	31	25
1936	:	1,548	:	413	:	342	:	27	22
1937	:	1,614	:	429	:	353	:	27	22
1938	:	1,471	:	399	:	321	:	27	22
1939	:	1,558	:	388	:	311	:	25	20
1940	:	1,671	:	394	:	314	:	24	19
1941	:	1,956	:	430	:	342	:	22	17
1935-39 average	:	1,506	:	408	:	332	:	27	22
1942 -	:		:		:		:		
Jan.	:	2,152	:	474	:	378	:	22	18
Feb.	:	2,173	:	476	:	381	:	22	18
Mar.	:	2,200	:	484	:	384	:	22	17
Apr.	:	2,233	:	488	:	386	:	22	17
May	:	2,259	:	496	:	392	:	22	17
June	:	2,313	:	502	:	398	:	22	17
July	:	2,342	:	508	:	401	:	22	17
Aug.	:	2,366	:	514	:	402	:	22	17

Comparisons in this table are very rough estimates which refer to the typical workman's family of 4.9 persons representing the average obtained in the 1918-19 Cost of Living Survey of the U. S. Bureau of Labor Statistics. The survey averages were \$1,513 for family income and \$548 for total food expenditure, and it was assumed that these represented the calendar year 1918.

The series of family income estimates was obtained by applying to the \$1,513 in 1918 changes in per capita nonagricultural income payments to individuals. The series of family cost of all goods was obtained by applying to the \$548 cost in 1918 changes in the index of retail food prices as computed by U. S. Bureau of Labor Statistics. The cost of 58 foods is from table 1 of this report. These series should be interpreted with care. Both the cost of all foods and the cost of 58 foods refer to fixed quantities of each food as purchased in 1918. Under circumstances of changing income and changing food prices a typical family would alter quantities purchased and alter the food outlay. The comparisons do show the costs at which a family could purchase identical quantities of foods and what share of income this would require in each year.

THE MARKETING AND TRANSPORTATION OUTLOOK FOR 1943

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General Summary

Adjustments in agricultural production to meet wartime needs took place soon after the outbreak of war. Despite the cutting-off of many foreign markets, however, the marketing and transportation systems continued to operate without much change, at least until the advent of price ceilings last spring. Although the effects of the war on marketing and transportation were delayed, they may in time be even greater than the impact on production. Conditions are now developing which indicate that many drastic adjustments in marketing and transportation facilities and methods are inevitable.

The livestock marketing and transportation system must be adjusted to a volume of operations never before achieved, with the critical period coming in 1943-44 when marketings are expected to reach a wartime peak and truck transportation facilities will have been depleted. Many important adjustments also are called for in the livestock and meat trades, as a result of the diversion of certain livestock products from civilian to war uses and the imposition of price ceilings.

A shortage of materials and tin cans, together with price ceilings and other developments, promises to effect a virtual revolution in fruit and vegetable marketing conditions. The large-scale substitution of domestic for imported fats and oils has created many problems, since processing, storage and transportation facilities are not well adapted to handle the enormous crops of oilseeds now being grown domestically. Dairy and poultry marketing are vitally affected by the shifting needs for the several finished products, and by the prospective critical situation in truck transportation, which plays such an important part in the marketing of these as well as other farm products.

The advent of price controls, which are likely to become more rather than less complicated as the war progresses, and the imminence of food rationing with respect to commodities which may have been considered surpluses not long ago, further complicate the marketing situation.

We are approaching the limits of our capacity to expand the transportation system as a whole. In addition, the efficiency of the agricultural trucking system may decline at a greatly accelerated rate, at the very time that our railway transportation system will find it most difficult to take on new burdens.

Thus far during the war the marketing and transportation system has done a good job in meeting increased requirements, while at the same time reducing the over-all per unit charges for its services, although freight rates have increased. The big increase in consumer expenditures for foods has been passed back in full to the farmers in the form of higher prices. But an upward trend of wage rates and other costs in marketing and transportation industries points to an early

reversal of the downward trend of marketing margins which has been in effect in recent years. If margins should be forced upward as much as certain possibilities indicate, the repercussions on farm prices and income, as well as on price ceilings and marketing practices, would be far reaching.

This general outlook for marketing and transportation in 1943 and as long as the war lasts points to the need for vigorous action by producers, middlemen, consumers and Government agencies in order to anticipate bottlenecks before they arise and bring about their solution.

THE TRANSPORTATION OUTLOOK FOR 1943

Measured in ton miles and passenger miles the volume of rail traffic in 1942 will probably exceed that in 1941 by the following percentages: 30 percent for freight traffic and 50 percent for passenger traffic. There is every indication that the volume will continue to rise in 1943 but that the rate of increase will not be as great as in 1942. Industrial production is expected to increase further, and troop movements will also increase in 1943. As the use of motor cars declines because of gasoline and rubber tire shortages, the difficulty of obtaining replacement parts, and the loss of workers to the military forces and to competing industries, additional freight and passenger traffic will be diverted to the railroads. The railroads are also certain to have to carry unaccustomed loads shifted from the water carriers, such as the oil shipments to the eastern States, the coal movements into New England, and grain movements from the head of the Great Lakes into the East. Balanced against these increases will be the decline of production and hence of transportation requirements for civilian goods. However, the net change will be an increase in traffic amounting to perhaps as much as 15 percent more in 1943 than in 1942. Agricultural traffic is expected to be somewhat larger on the average in 1943 than in 1942.

Many uncertainties are involved in making this prediction of the volume of traffic the railroads will have to carry in 1943. A zoning or certificate system which will deprive sellers of distant markets and cut down ton miles may be used. The production of civilian goods may be concentrated in such a way as to minimize the demands upon the transportation system. Production in the war plants may be rearranged with an eye to lessening the volume of traffic. Also, many goods have moved to their destination and need not be replaced in the future. This category includes capital goods, lend-lease materials, and building materials. Passenger car traffic may also level off in 1943. The armed forces will doubtless increase their personnel, but at the same time increasing numbers will be stationed abroad, thus offering no demand for rail service at home. Possibly aircraft will be used to carry an increasing number of passengers, especially Government officials and military personnel.

A tight car and locomotive situation

The prospects for moving all of this larger traffic in 1943 are not bright. Already the railroads are feeling the strain, although they have thus far successfully handled the great increase in traffic which has developed in the past 3 years. The number of cars and locomotives, however, has remained practically stationary, and there is very little likelihood that steel and other necessary materials can be made available for new construction. The carriers are even experiencing difficulty in securing sufficient materials to repair and maintain existing rolling stock and equipment. As cars and locomotives wear out and have to be retired from service, the odds are good that the total supply will be less in 1943 than in 1942.

While the car supply situation is tight, the locomotive outlook is even more unsatisfactory. 1/ The number of stored serviceable locomotives has already reached a record low level, and assistance from this source is not to be expected. A similar reduction in the number of unserviceable locomotives capable of repair has also occurred. As traffic rises toward the October peak this year, the small surplus of serviceable locomotives which existed in August will probably entirely disappear. The situation will become worse as peak traffic conditions are encountered in the fall of 1943.

A partial solution of the tight locomotive supply situation would be to use the existing motive power more efficiently. By loading cars and trains to capacity whenever possible and by routing traffic over the most direct lines, it would be possible to increase the number of tons hauled per locomotive mile. Steps should also be taken to increase the number of miles traveled each day by freight locomotives. Some railroads obtain much greater mileage per day from their locomotives than others do and this is only partly attributable to the nature of the traffic burden. One way to bring about better use of locomotives would be to redistribute the motive power (or traffic) among the several railroads. Another way would be to adopt on all railroads the operating practices of those railroads which excel in locomotive performance. Perhaps some redistribution of technical personnel would be helpful. A contribution has been made by the suspension of State laws limiting the length of freight trains.

The freight car supply seems adequate to handle the prospective volume of traffic this autumn. The greatest present tightness is in open-top cars, which are not important in the hauling of farm products. If difficulties in the movement of farm products should occur in the weeks immediately ahead, they will probably materialize because the burden of the citrus fruit traffic proves to be too great for the refrigerated car supply. The situation in 1943 will generally be less favorable than at this time, and agricultural traffic will have to share locomotives and cars (except highly specialized equipment) with other kinds of traffic.

If shortages should materialize in the period ahead in spite of all efforts to utilize cars and locomotives fully, shippers and travelers should be prepared for a system of priorities which might bar certain traffic from the railroads altogether. Where commodities can be shipped at off-peak periods instead of on-peak, this should be done to free equipment for more important traffic or for shipments that cannot be moved up or retarded because of perishability.

Motor transportation

In common with the railroads, the motor carriers have hauled a steadily increasing volume of freight and passenger traffic since the outbreak of war in 1939. Many trucks, perhaps a majority of them, are already operating at or beyond their rated capacities. Others could be operated more efficiently if they were properly loaded and coordinated among themselves and with the railroads. Yet the prospects for expansion in the volume of motor traffic are definitely not favorable. In fact, the chances are good that motor carriers will not be able to haul as much traffic in 1943 as in 1942. While tires, gasoline,

1/ The discussion of the locomotive situation which follows is based upon a report entitled: "Railroad Motive Power Supply and Utilization," September 14, 1942, prepared by Ernest W. Williams, Jr., Economist, National Resources Planning Board.

and replacement parts will probably be made available to common-carrier trucks and busses, and also to contract carriers, providing they are carrying high priority traffic, strict rationing of tires and gasoline is certain to be applied on a nation-wide basis to private passenger cars, merchant trucks, and farm trucks. These private motor carriers have heretofore performed a major proportion of total motor transportation, not only in local or terminal areas but over the road as well.

As the situation tightens, the effects of shortages upon the volume of traffic will depend upon the answers to three questions: How much decline will occur in total motor capacity? How much of their former load will be diverted to the railroads? How much of their traffic will go out of existence? We can be sure that there will be some reduction of carrying capacity, some diversion of traffic to the railroads, and some destruction of traffic. But we cannot begin to estimate these reductions quantitatively until policies toward gasoline, tire, and equipment rationing are finally determined and applied.

Farm trucks in 1943

Farmers will have great difficulty next year in maintaining and operating their trucks (more than one million vehicles) at previous levels of efficiency. Farm trucks are generally older than commercial trucks and will be in greater need of parts, repairs, and tires. A considerable proportion of farm trucks may have to cease operation altogether by the end of 1943. This will throw an added burden on other farm trucks and on for-hire trucks, as well as on the railroads.

Under the circumstances, steps should be taken at once to coordinate the movement of agricultural products, particularly the movement of livestock and fresh fruits and vegetables. Cross-hauling of farm products should be minimized and the present excessive long-distance hauling of farm products by trucks should be greatly reduced. Some existing State laws regulating trucks will need to be suspended, and reciprocity privileges promoted. (It is reported that despite paper agreements between some States on these points, truck operators have been fined by local authorities for violations of these old regulations.) Cooperation of farmers using privately-owned trucks may have to be more actively promoted, possibly under Government supervision. Farm trucks returning from markets should bend every effort to secure return loads through pooling arrangements with other farmers or carriers. It may be necessary to accomplish this result by compelling farmers to lease their trucks on return trips. Even on farm-to-market trips, farm trucks may be pooled for use by all farmers in the community.

Rates and charges

Railroad revenues and profits have increased with the expansion of traffic, but the rate of growth and even total net earnings were threatened in 1941 by rising costs and particularly by the demands of the rail unions for drastic increases in wages. The demands were finally compromised late in 1941 at an estimated annual increase in cost of about 300 million dollars. The railroads immediately requested an increase of 10 percent in freight and passenger rates, but received 6 percent on industrial traffic and 3 percent on agricultural commodities. However, they were allowed the 10 percent increase in passenger rates, which together with the lesser freight rate advances, largely offset the added costs involved in the wage increases. In view of the recent price and wage stabilizing policy adopted by the Government, further significant increases in rail costs will probably not develop and horizontal percentage rate increases will not be necessary.

Motor carrier costs and rates have also risen in recent months. This trend may be arrested, unless increased working hours and overtime pay resulting from reduced highway speeds and general increases in rates of pay for trucking labor to keep it from going into war industries should become necessary. Truck operating costs are a very high proportion of their total costs and any set of economic conditions which increases such costs soon necessitates revisions of rates on most classes of traffic. In this respect, the motor carriers differ from the railroads, whose operating costs are a much smaller percentage of total costs than are the motor operating costs. The railroads are accordingly in a better position than the motor carriers to avoid or at least delay rate increases when their variable costs go up.

Refrigerator car supply in relation to requirements

The refrigerator car supply should be adequate to handle the prospective volume of traffic this fall and winter unless the proportion of perishable foods shipped fresh rather than processed, or the proportion shipped by rail instead of by truck, is materially increased. The decisions which will determine these "if's" have not yet been made, but the possibility is that there will be an acute shortage of refrigerator cars to handle a greatly augmented movement of citrus fruit and other perishable products formerly marketed in processed form.

The possibility of a refrigerator car shortage during 1943-44 is stronger. Even with maximum loading of cars and prompt loading and unloading the refrigerator car system in 1942-43 is in a position to handle only the amount of increase in volume resulting from increased production of meats, potatoes, and citrus fruits. Considering the traffic already in view, any plans which would increase the burden on refrigerator cars and locomotives, such as the diversion of large volumes of fruits and vegetables from canned to fresh use, must be carefully laid if they are not to fail because of the shortage of refrigerated transportation facilities.

Livestock transportation

Transportation facilities for moving livestock to be marketed in the fall and winter of 1942-43 apparently will be adequate. But with livestock trucks wearing out, locomotive shortages promising to create a bottleneck in rail transportation, and even larger livestock marketing in 1943-44 than this winter, the situation next year will be acute.

The aggregate transportation load for livestock will be heaviest in October when cattle and sheep are to be moved from western ranges in relatively large numbers. The transportation load for livestock in October 1942 is estimated to be about 12 percent greater than in October 1941, and for the 3-month period from November to January, about 17 percent greater.

The trucks available for transporting livestock to market this fall and winter will be able to handle at least 20 percent more volume than they handled a year earlier according to estimates made by members of the Corn Belt Livestock Marketing Research Committee in a number of the Corn Belt States. This increase, it is assumed, will result from more efficient pick-up service and the loading of trucks more nearly to capacity, allowance being made for a reduction of 5 percent in the number of livestock trucks to be operated.

In general, the locomotive shortage is less acute in the livestock producing regions than in the industrial areas. The available rail stock cars if fully utilized can handle at least 18 percent more livestock in October, 52 percent more in November, 79 percent more in December, and 83 percent more in January than they handled in the corresponding months of 1941-42.

Even though transportation facilities for moving livestock are expected to be adequate this fall and winter, it is important that they be used as efficiently as possible in order to conserve trucks for next year. Livestock trucks can be conserved by any of the following methods: (1) Enforcing a more efficient pick-up service in the country so as to require less travel to complete loads; (2) minimizing cross-hauling; (3) using small trucks for assembling livestock from farms for delivery to appropriate points, where transfer is made to larger trucks or railroads for transportation to markets; (4) limiting pick-up service in a community to one or a few days per week; (5) establishing truck associations in communities where they can transport livestock more economically than private truckers; (6) avoiding unnecessary inter-market movements of livestock, and (7) insuring capacity loads for livestock trucks and return loads from market. If the transportation situation becomes critical, the zoning of territory may be necessary despite the difficulties involved.

THE OUTLOOK FOR MARKETING FACILITIES AND METHODS IN 1943

Livestock marketing

The past year gave rise to many difficult problems in livestock and meat marketing, with indications that they will continue in even more critical form in 1943.

Following the imposition of price ceilings on hog products in March, the spread between the value of hog products and the price of live hogs declined greatly. According to the series compiled by the Department of Agriculture, the spread at Chicago fell from a high of \$1.20 in the first week of March to a low of 27 cents in the week ended August 15. The large cut-out loss on hogs threatened to close some packinghouses.

This "squeeze" on hog packers resulted from extreme competition among packers for a supply of hogs limited in relation to domestic, military, and lend-lease requirements. There have been other periods in which such competition for short supplies prevailed, yet no such cut-out losses were experienced. The reasons for the recent difficulties evidently were closely related to the price ceilings on hog products. In times of reduced hog marketings, the packers ordinarily attempted to obtain enough hogs to satisfy their customers' requirements by bidding up the price of hogs. The price of meat would rise, producing a "squeeze" on many packers, but in the form of reduced volume of business and higher per-unit operating costs. With price ceilings on hog products, however, the squeeze took a different form: A rise in the price of hogs, with no corresponding rise of pork prices. It was made all the more severe by various inequalities in the competitive situation of the different groups of packers stemming from other war-time programs. The advantages enjoyed by some packer groups permitted them to pay prices for hogs which competing groups could not meet without prohibitive losses.

The situation was particularly severe for the smaller and eastern packers for several reasons: (1) The period (March) on which ceiling prices for pork were based was one in which the price differential on dressed pork between West

and East was seasonally narrow; (2) some of the national packers were said to have based their price ceilings on list prices not as representative of March selling prices as the ceiling prices of many of the smaller and eastern packers who claim to operate more nearly on a one-price basis; (3) the national packers were said to be able to shift sales to markets in which ceiling prices were highest; (4) not having as large inventory profits on products processed last winter as did some of the larger national packers, the smaller packers could not offset losses on their current slaughtering operations with profits on sales from inventory; (5) the larger federally-inspected packers generally had a bigger share of the relatively profitable lend-lease business, and by adding this to their regular domestic trade, were sometimes able to reduce per-unit cost of operation materially.

A closely related problem was the "meat shortage" which received much public attention during the summer. Actually, about a normal volume of meat for the season of the year was moving into domestic consuming channels. But the varying price ceilings on meats in the several markets caused the partial diversion of supplies from those with lower ceiling prices to those with higher ceilings, thus creating acute shortages in markets unfavorably situated in these and other respects. Moreover, the rise in consumer income generated by the war-time industrial activity caused consumers all over the country to demand larger than usual quantities of meat at the ceiling prices. Ordinarily, retail meat prices would have risen enough to offset the increase in income, thus "equating" the effective demand with the available supply. In the absence of these price adjustments, the supply of some kinds of meat in some areas was not sufficient to go around.

The new pork price ceilings which the Office of Price Administration has announced will be instituted this fall are designed to eliminate many of the inequities which contributed so greatly to the squeeze on certain groups of packers and to the regional pork shortages. In response to the demands of packers for action to eliminate the squeeze, the Office of Price Administration also has announced that it is considering the inauguration of ceiling prices on live animals.

Fundamentally, all these marketing problems stem from the fact that the demand for meats has increased faster than the supply of meats left available for civilian consumption after deducting lend-lease and military requirements. Because the large seasonal increase in meat supplies this winter will provide only temporary relief, the situation will become critical again. Best long-run solution to the problem would be rationing of meats for civilian consumption. Thereby the effective demand for meats would be brought into line with the supply available for civilians, thus reducing the pressure on distributors and packers. Meat supplies would then be distributed more equitably among all communities and families, and packers would not be compelled to bid up the price of hogs unduly in attempting to satisfy the requirements of their trade. Rationing also would make possible the orderly diversion of meats to military and lend-lease uses. But because rationing of meats is too complicated a process to be inaugurated immediately, the allocation of meat supplies to different groups of buyers will be used in the meantime to accomplish some of these objectives.

All of these developments have a direct bearing upon the outlook for livestock and meat marketing in 1943. The prospects are that solutions will be found for most of the problems which have been outlined above. The big problem will then be one of handling the increased volume of livestock marketings so as to obtain maximum output of meats and other livestock products. With the production of livestock, particularly hogs, already at record levels, there has been some

question regarding the ability of processing facilities to handle the peak movement of hogs this winter. Available data indicate that there will be no over-all shortage of processing facilities in 1942-43. The critical element in the situation is not killing facilities, which are fully adequate, but chilling and storage facilities for meat. The margin of safety is not large in some areas, and it may be best to be prepared for an emergency in case it develops.

The following contingencies are to be guarded against: (1) Congestion at individual slaughter points or terminal markets, which would contribute to cross-hauling, marketing at undesirable weights, increased shrinkage and other inefficiencies, as well as to consumer dissatisfaction; (2) undue seasonal depression of hog prices arising from such congestion and from the fact that packers may be able to get all the hogs they need for efficient operation without paying a price fully commensurate with the over-all supply and demand situation; and (3) marketing of hogs at too light weights, which might occur as a result of producers' attempts to avoid certain price developments including a possible market penalty on heavy hogs later in the season.

One of the proposals designed to avoid these difficulties calls for: A permit system under which individual producers could market hogs only at a specific time for which a permit had been obtained either from commission firms operating at the public stockyards and packing plants buying direct, or from marketing committees working in the areas of production. Other proposals are for control of loadings in the country by livestock transportation agencies; purchases by a Government agency of live hogs at any point marked by serious congestion, for shipment to other points where there is excess capacity; and support of the price of hogs, particularly heavy hogs, preferably during a period following the heavy movement in December and January. This would encourage the holding of hogs for feeding to heavier weights, and discourage panicky marketing at unduly low prices in mid-winter.

Regardless of what is done to handle the peak movement in 1942-43, there will be an even heavier movement in 1943-44 if livestock production goals for next year are realized. Somemeans of insuring an orderly market movement may be necessary. One way to accomplish this would be to encourage a more even seasonal distribution of marketings by a rearrangement of breeding operations for the spring crop, by feeding schedules better adapted to marketing requirements, and by control of market price changes so as to insure producers against penalty for marketing their hogs at such time as will result in production of maximum quantities of pork and lard without congestion of marketing and transportation facilities.

Fats and oils

Many problems of transportation, processing and storage are expected to develop in the fats and oils situation, particularly with respect to oils crushed from vegetable oilseeds. We have long been net exporters of lard and net importers of vegetable oilseeds and vegetable oils. Until the comparatively recent development of the domestic soybean industry and the still later expansion of the crushing of peanuts for oil, cottonseed and some flaxseed were the only domestic oilseeds produced in sufficient quantities to be of any considerable commercial importance.

In consequence, the oilseed crushing plants are located principally on both coasts, in the cotton South, and in proximity to some large consuming centers, although some crushing capacity exists in the older soybean and flaxseed

producing regions. The increased production of soybeans required to offset the loss of imports of foreign oilseeds and the reduction in production of cottonseed has taken place mostly in regions not equipped to crush the beans locally. The shortage of critical materials has made it inadvisable to construct new mills located in the seed and bean producing regions when there is available crushing capacity elsewhere in the country.

The solution to the problem of crushing consists of moving the beans and seeds to the mills, or of moving the mills to the source of production. While technically feasible, the latter plan is practicable under war-time conditions only to the limited extent that additional presses or mills can be installed in existing plants.

Movement of the beans and seeds to places with available crushing capacity cannot be considered apart from the question of movement and storage of the finished products. Movement to the Pacific Coast should be confined to the amount of oil and meal that can be consumed locally, if the long haul back which wastes both money and transportation facilities is to be avoided. The same objection applies to movement into the South, but with less force because the distances involved are shorter. If movement is to the South, advantage should be taken of the Federal barge lines on the Mississippi system. Traffic on these lines is now running about 87 percent northbound and only 13 percent southbound.

If beans or seeds are moved to a plant which has crushing facilities only, the problem arises of providing tank cars for movement of the crude oil to points of further processing. Since tank cars are scarcest relative to needs of any type of railroad car, prudent use of our resources would indicate that crushing be done either in or near plants manufacturing shortening and margarine, which can be transported North and East in refrigerator cars or in boxcars if the products are sufficiently hydrogenated.

Storage must be considered from several angles, particularly as W.P. B. order No. M-71 (September 22, 1942) limiting the use of fats and oils by manufacturers contemplates the building-up of a stock pile for future needs. Tank storage is limited. And construction of new tanks at strategic points is practically out of the question in that it involves the use of considerable amounts of steel plates.

This raises the question of the keeping qualities of the various oilseeds at various stages in their processing. Cottonseed is most perishable as seed, will keep only reasonably well as crude oil, and will keep indefinitely as refined oil or in finished products. Soybeans will keep indefinitely at 13 percent moisture content, and can stand occasional moisture up to 18 percent without going out of condition. As oil, soybeans keep better in the crude than in the refined state. Peanuts in their raw state will keep well under any ordinary conditions of storage. The oil keeps best in the refined state.

These considerations may lead to the conclusion that cottonseed should be crushed first, and that soybeans should be stored as beans in the North Central region to the extent that storage capacity is available on farms or in elevators. Peanuts, being already located in the South, can be crushed as desired.

There is every reason to believe that the many problems involved in the handling of oil crops can be solved without undue use of critical materials and transportation facilities if the whole movement is carefully planned.

Changes in fruit and vegetable marketing

War is bringing important changes in the marketing of fruits and vegetables, with the prospective impact greatest in 1943 when the major adjustments will have to be made.

Chief among the conditions necessitating these adjustments is the shortage of materials for making cans, which threatens to reduce greatly the volume of fruits and vegetables to be canned in 1943. In addition, military and lend-lease requirements for canned goods will absorb a large part of the available supply of some canned products, as well as of dried fruits. Canned production normally constitutes about 16 percent of total production of fruits and 33 percent of vegetables. This percentage varies greatly for different items, and severe curtailment of canning would necessarily revolutionize the marketing of some commodities. Because of lack of facilities for marketing their products, some producers may find that their entire market has disappeared. Many middlemen handling these products will face drastic readjustments of their operation. Consumers will have to be supplied in other ways with the vitamins and other food elements ordinarily obtained from canned fruits and vegetables.

Two things can be done to make up for the shortage of canned fruits and vegetables: (1) increased reliance can be placed on other forms of processing, principally packing in glass and freezing; (2) a larger proportion of total production may be marketed fresh. Increased production of dehydrated fruits and vegetables will go almost entirely into non-civilian uses.

According to present indications, only a relatively small part of the total production of fruits and vegetables formerly canned will be put up in glass, due to the short supplies of rubber allocated to the glass container industry for capping the glass jars. Efforts to find a plastic substitute for rubber for this purpose thus far have been unsuccessful. And, despite large percentage increases in recent years, the total volume of fruits and vegetables processed by freezing is relatively small. Due to limitations of critical materials, the processing and distributing facilities for handling frozen fruits and vegetables in orthodox ways probably cannot be expanded much further during the war. An alternative is to use the facilities of the ice cream industry, formerly only partly utilized during the winter season, for distributing frozen fruits and vegetables. Research is now being conducted to determine the extent to which such a shift might be made.

Any very large increase in the volume of marketings of fresh fruits and vegetables would depend on the following conditions: (1) the adequacy of rail and truck transportation facilities to handle the movement from producing to consuming areas; (2) the extent to which production might be shifted from areas distant from markets to nearby sections; (3) the availability of adequate cold storage facilities; and (4) the ability of distributing facilities in consuming markets to handle the increased volume, particularly the dispersion from larger markets to small towns and cities which in the past have depended more upon locally grown products in season and upon canned goods at other times of the year. This problem is made more difficult by the restrictions on truck transportation facilities which serve these smaller markets.

Thus far price controls have barely touched fresh fruits and vegetables. The problem is much more complicated than it is for most other commodities, because of the wide variety of products and qualities, the element of perishability and the extremely seasonal nature of production and consumption. Price ceilings on fresh fruits and vegetables would necessarily affect methods of marketing in many important ways. They might necessitate extensive rearrangements of selling

territories, and would certainly bring important changes in sales and traffic movement and in the character of operations of fruit and vegetable handlers everywhere.

Other commodities

Although wartime changes in marketing methods will be less radical for most other commodities than for those discussed above, many minor adjustments will have to be made in 1943.

In the effort to conserve space in shipments for lend-lease and military purposes, a greatly increased percentage of total egg production now is being dried. Egg drying plants now in operation have a capacity of about 315 million pounds per year based on 300 days operation of 20 to 22 hours per day. The prospects are that roughly a third more eggs will be dried next year, as materials have been allocated for expanding drying facilities by another 110 million pounds. Egg marketings in the coming year will increase in most States. Further material increases are likely in the Southern States where marketing facilities were over-taxed last spring. This may necessitate continuation or expansion of special marketing programs in that area.

Sales of chickens by farmers in the United States for 1942 as a whole will be 16 to 18 percent larger than in 1941. Since farm marketings during the summer were smaller than last year, much of the increased supply will be marketed in the last quarter. In the midwest, where marketings for the year will be more than 25 percent larger than last year, receipts of live poultry at primary markets have been averaging more than 50 percent larger than last year. In some sections of this region, packing facilities may be overtaxed this fall and next year, particularly if marketings should be concentrated unduly. This presents two problems: (1) avoiding undue price declines because of temporary market gluts; and (2) promoting more efficient use of marketing facilities by spreading marketings more evenly.

The principal programs in connection with dairy products center around the need for obtaining greater production of dried milk, cheese, butter, and fluid milk in defense areas. The big problems are how to obtain the requisite total volume of milk production, and how to divert this production in the proper proportions to the various processed dairy products. The latter problem involves considerations of price supports and other possible subsidies, price ceilings and possible rationing of dairy products, and other controls designed to make the total supply go around. One possible solution would be to require a small reduction in the butterfat content of ice cream and fluid milk, and prohibit the sale of certain products such as whipping cream, thereby diverting butterfat into butter and releasing enough of the total milk production for the required additional production of other dairy products. This would involve widespread adjustments by dairy marketing organizations.

In the hard red winter wheat area, wheat and other small grains have found storage in terminal and country elevators and on farms. At the present time very little wheat still remains on the ground for lack of storage space as was the case during July and August. In the spring wheat area, producers have used great ingenuity in making space available on farms to care for this year's crop. However, producers in this area have been handicapped some by excessive rains and more recently by snow that has fallen since crops were ready for harvest. As a result, much grain still remains in the fields. While it is expected that farmers again this year will plant within the wheat acreage allot-

ment, soil and moisture conditions are very good. Because this will probably result in another better than average yield in 1943 and because there is an all-time record carryover, the outlook is for a storage problem by the middle of 1943 even more severe than that of this year.

Emergency food distribution

The possibility of air attacks on our large coastal cities gives rise to questions about emergency food distribution facilities. Extensive plans have been made in some cities for the care and feeding of the population in the event of disaster, but the plans in general have gone only to the point of requisitioning supplies from the usual sources. It is important to note that these sources would be greatly disrupted in case of emergency by military uses of transportation routes, and possibly by the destruction of regular marketing facilities.

THE OUTLOOK FOR MARKETING MARGINS AND COSTS FOR FARM PRODUCTS

Developments into 1942

From 1937 through 1941, marketing charges for a family food basket declined from 193 dollars to 178 dollars. No trend was apparent throughout 1941. During the first 6 months of 1942, the margin rose to 194 dollars in June, but has since declined to 186 in August, and 189 in September. The September margin was about 1 percent below the pre-war (1935-39) average, whereas the cost of foods to consumers was up 22 percent and payments to farmers for equivalent quantities of farm products were up 53 percent. Considering the pre-war level of margins and prices and the higher general level of prices now prevailing, it appears that a normal level for the current food marketing margin would be about 205 dollars, instead of 189 dollars.

The shrinkage in charges for marketing food products during the past several years has taken place in the face of sharply increased hourly earnings of labor, indicating advances in the efficiency of labor use greater than in wage rates.

One factor responsible for this increased efficiency has been the tremendous growth of super-markets, one of the most efficient forms of retailing. Another factor may have been the prevalence of subnormal returns to agencies engaged in food marketing. Still another factor may have been the influence of large military and lend-lease requirements for foods, which have added to the volume of business of food handling establishments below the retail and wholesale levels, thereby lowering per-unit costs of operation. Parts of the marketing system which long have suffered from excess capacity have been operated at much higher rates of output because of these war-induced increases in business and the record high production of many farm products.

Total charges for marketing cotton products from the producer to the city consumer rose very little from the beginning of the war into 1941. They have since advanced in line with the higher prices of cotton products at retail. In August this year, marketing charges for a group of 42 items of cotton clothing and household textiles purchased by a typical family amounted to 28 dollars. This was 31 percent above the pre-war (1935-39) average of 22 dollars. Compared to pre-war levels, costs of cotton items to consumers at retail were up 35 per-

cent, whereas payments to farmers for lint cotton were up 82 percent. The rise in cotton margins in 1941 and in the first part of 1942 reflected a bulge in mill margins early in 1941 when productive capacity began to be taxed, and a later increase in margins taken by other agencies between producer and consumer. The latter reflected the gradual elimination of inventory profits which had permitted agencies beyond the mills to continue operating for some time without raising prices for new goods in line with replacement costs. An analysis of cost factors in relation to mill margins indicates that mill costs now have risen in line with the preceding rise in mill margins.

Mill margins for processing a representative list of wool worsted piece goods did not rise as rapidly throughout 1941 as mill margins for cotton products. Such margins in October 1941 were at levels equal to those prevailing during the first quarter of 1938. Margins rose sharply to April 1942, however, and like cotton mill margins, appeared abnormally high in relation to price levels.

Labor costs make up between a third and a half of total costs of marketing farm products. Over a period of several years labor efficiency has advanced more rapidly than hourly earnings of labor so that labor costs per unit of product have declined. There is evidence that this trend has been retarded and in some cases reversed during the past year; due largely to the loss of skilled and efficient labor to war industries and the military forces. The War Labor Board recently announced a policy of approving increases in basic wage rates equivalent to the rise in cost of living above the level of January 1941. Hourly earnings in transportation, wholesaling, and retailing have lagged behind the rise in cost of living over January 1941, although increases in hourly earnings in processing industries have exceeded the rise in cost of living. In food marketing as a whole, wage rates probably would have to advance about 3 percent to equal the rise in the cost of living over January 1941. This would amount to an increase of from 1 to 2 percent in food marketing costs.

The outlook for 1942-43

An appreciable increase in marketing margins for food products has occurred in the last few months. Although this may have been partly seasonal in character, there are indications that this trend may continue at least into the first part of 1943. Among the factors pointing in this direction are: (1) the possibility that many super-markets may be forced out of business or have their volume reduced because of the automobile situation; (2) the fact that wage rates in food marketing have not advanced as fast as in manufacturing industries, with further rises likely to occur; (3) the prospect that margins on livestock products will increase when supply is increased next fall, reducing the upward pressure on live animal prices in relation to meat prices; (4) the possibility that if military and lend-lease requirements increase, the volume of foods flowing through wholesale and retail channels may decline somewhat, thus raising per unit costs and margins; and (5) a possible reversal in the apparent upward trend in physical output per man hour in marketing, because of the loss of relatively skilled personnel to war industries.

A number of these adjustments should have taken place by the early part of 1943, and unless an inflationary spiral of costs and prices gets under way, it is probable that in late 1943 margins will rise less rapidly than during the next 6 months.

Farmers receive most of increase in consumer's expenditures for foods

Charges for marketing farm food products have not increased appreciably during the entire war period and in comparison with the pre-war 1935-39 average, while food costs to consumers and payments to farmers for food products have risen sharply. In September 1942, the retail cost to consumers of a basket of foods produced on American farms in quantities representing annual family purchases amounted to \$405. This cost to consumers was \$73 greater than an average cost of the same foods in the pre-war period from 1935-39. The marketing margin at \$189 in September was \$2 below the pre-war level. Payments to farmers for equivalent farm food products were \$216 in September 1942, \$75 higher than comparable payments averaged over 1935-39. Charges for marketing farm food products had been declining since 1937 and continued the decline after the European war began into 1941. Not until recent months has any appreciable upward trend been evident.

The farmer's share of the consumer's food dollar rose to 51 cents by September 1941, and has fluctuated between 50 and 52 cents from that date until July 1942. In September 1942 the farmer's share was 53 cents dropping from 54 cents in August, while his pre-war share was 42 cents. These appear to be the highest shares going to the farmers since 1920. During World War I, the farmer's share rose to 60 cents in 1917 and was running at 52 cents and above throughout the 8 years from 1913 to 1920. Consumer's food costs at \$405 in September 1942 were \$10 or 2 percent lower than in the year 1929. Payments to farmers were 10 percent higher than the \$195 for 1929, while the marketing margin was 14 percent lower. Retail costs of foods would have to rise by \$109 or 27 percent above the September 1942 level in order to equal the cost for the year 1920, while payments to farmers would have to rise \$56 (26 percent) and the marketing margin by \$53 (28 percent) to reach 1920 levels.

Foods taking smaller portion of rising family incomes

Working men's families can buy a basket of specified food products for the smallest share of family income on record since 1913. Average family income has been rising more rapidly than food prices during the last three years and through the first 9 months of 1942, due to higher wage rates, more hours work per week with over-time payments, and more persons employed. Estimates of the annual rate of average family income for families averaging 4.9 persons reached a level of \$2380 for September 1942. This represented a rise of 57 percent over the pre-war average for 1935-39, while the cost of a typical food basket was up 26 percent and the cost of a basket of foods produced on American farms was up 21 percent. The cost of a basket of all foods averaged over the 5 years preceding 1940 accounted for 27 percent of family income, but required only 22 percent in September 1942. Those foods in the family food basket which are produced on American farms accounted for 22 percent of the family income in the pre-war average period, dropping to 17 percent for September 1942.

Results of a special survey released by the U. S. Bureau of Labor Statistics about August 1, 1942 showed that for the first three months of 1942, the average annual rate of income was \$2,217 for families of 2 or more persons living in cities, an increase of 6½ percent over the 1941 average. A similar comparison for single persons shows an income increase amounting to more than 12 percent. According to this survey, estimates for city families and single persons combined showed 28 percent of expenditures, or 25 percent of income, being spent for food in 1941. The rate of savings increased sharply from 1941

into early 1942 -- from 7.2 percent to 11.3 percent of family income. For the first 3 months of 1942, food took $27\frac{1}{2}$ percent of total expenditures, about 23 percent of income. In 1941 clothing took 10.5 percent of total expenditure, dropping to 10.1 percent for the first quarter of 1942.

While the results of the survey made by the Bureau of Labor Statistics show the percentage of income actually spent for foods in 1941 and 1942, the series of costs of all foods and cost of 58 foods prepared in the Bureau of Agricultural Economics for comparison with estimated family income merely reflect changes in cost of a fixed basket of foods due to changing prices and do not allow for any variation in quantities of foods purchased. There is evidence that per capita quantities of foods consumed are somewhat higher than they were during the year 1918 to which the "food basket" quantities apply.

Charges for marketing food products will probably rise

Marketing charges on domestic farm food products have remained at abnormally low levels throughout most of the war period and particularly during the last 12 months of rapid increases in food prices. A part of this is due to a continuation of the downward trend beginning in 1937, with marketing charges for a family food basket dropping from \$193 in that year to \$178 in 1941. During 1941 the marketing margin fluctuated around average, and no definite trend was apparent. A slight upward trend in margins has occurred during the first 6 months of 1942, followed by a decline during July and August, and a rise into September. The decline in margins over a period of several years has taken place in spite of sharp increases in hourly earnings of labor, sharply accelerated during the last year and a half. The lowering of marketing charges associated with a rise in hourly payments to labor implies that an offsetting increase in labor efficiency has occurred, but there are indications that labor efficiency as measured by per-hour output is no longer increasing so rapidly and in some instances is declining. This means higher labor cost per unit of product and higher costs in marketing the family food basket.

Compared with the pre-war 1935-39 average, retail food costs in September 1942 are up 22 percent, payments to farmers are up 53 percent, and the margin is down 1 percent for September 1942. If the marketing margin had risen in normal relation to the increase in level of retail food prices, it would have amounted to about \$205 in September 1942, more than 8 percent higher than the margin of \$189 actually observed.

It is believed that a significant factor contributing to the decline in marketing charges on foods occurring from 1937 through 1941 was the development of the supermarket. The supermarket with its high rate of turn-over, self-service, and large average sale has reduced labor requirements and inventory costs in food retailing. Supermarkets handle a substantial share of retail food sales and their competitive influence is felt throughout the field of food retailing. It is believed that increasing difficulty in local transportation and the decline in use of automobiles will probably lessen the importance of supermarkets particularly in rural areas, with a consequent rise in per-unit marketing charges.

Marketing charges for cotton products are normal for current price levels.

During the first 8 months of 1942, payments to cotton farmers averaged $12\frac{1}{2}$ cents out of the dollar spent by consumers for a representative list of cotton clothing and household furnishing items. For the 16 years of record since 1927, the farmer's share has exceeded 12 cents only in 1928 and 1929 when the shares were 13.2 cents and 12.6 cents respectively. The farmer's share of

the consumer's dollar spent for cotton products reached a low of 4.9 cents in 1932, and averaged 9.3 cents over the pre-war years 1935-39. Charges for marketing services between cotton farmers and city consumers have absorbed from 86 cents to 95 cents of the retail dollar spent for cotton products through the years since 1927. These figures contrast with the shares going to the marketing system and to the farmer in the case of food products where the division is roughly 50 - 50.

Cost to consumers for quantities of cotton clothing and household furnishing items purchased annually per family amounted to \$32.25 in August 1942, an advance of about 35 percent over the pre-war 1935-39 average. Estimated payments to farmers for the quantities and qualities of cotton required to process these items amounted to \$4.04 in August 1942, 82 percent above the 1935-39 average. Total charges for marketing this list of goods from farmer to consumer was \$28.19 in August 1942, 30 percent higher than the pre-war average.

Consumer's cost of cotton articles in August 1942 represented an increase of \$8.37 over the 1935-39 pre-war level. Higher prices paid to farmers for lint cotton accounted for \$1.82 of this increase, while the balance, amounting to \$6.55, was made up of higher charges taken by the marketing system for its service.

Both the retail cost of cotton articles to consumers and the marketing margin for the last several months exceeded the highest previous levels on record, which occurred in 1927 when retail cost was \$31.82 and the margin was \$28.13. Retail cost to consumers also reached a peak in April, and have since declined about 1 percent, due to effects of the General Maximum Price Regulation.

Total charges for marketing cotton products between farmer and consumer during the first 6 months of 1942 appear to be near normal in relation to the current level of prices and to the historical level of margins in relation to prices. However, an important component of the over-all farm-to-retail margin, made up by mill margins covering spinning and weaving operations, rose to record high levels early in 1941, and contributed materially to the disparity between marketing charges for cotton products and those for food products, where the latter are at levels abnormally low in relation to prices.

Cotton mill margins at record highs

Early in 1941 combined demands for cotton products for civilian, military, and export purposes exceeded normal capacity of mills performing spinning and weaving functions. The margin charged by mills rose sharply from 15.0 cents in January 1941 to 19.8 cents in April of the same year. This corresponded to an advance in prices charged for unfinished grey cloth from 25.2 cents to 31.0 cents per pound of lint cotton content, while the wholesale price paid for cotton rose from 10.2 cents to 11.2 cents. The Office of Price Administration imposed a ceiling on mill margins early in 1941 permitting the sales prices of yarns and cloth to rise in fixed ratios to higher prices paid for lint cotton. The margin reached 20.5 in October 1941. The ceiling on margins was removed in late April 1942, and maximum prices on yarn and cloth constructions were imposed in the belief that the mill margins could narrow and return higher prices for lint cotton to the farmer and to sellers in wholesale markets. Mill margins widened immediately, rising from 20.3 in April to 21.8 in June and 22.0 in September.

When the Office of Price Administration shifted from control of margins to control of wholesale prices of products, the farm price of cotton was about 2 cents below the maximum price exemption level specified in Section 3-a of the Emergency Price Control Act of 1942. It was felt that agencies in the marketing system, particularly spinning and weaving mills, were taking margins so far in

excess of normal that they could afford to pay farmers the full exemption level for their cotton. However, by June and July farm prices were about 3 cents below exemption levels.

An analysis of the cotton mill margins made in terms of selected cost factors indicates that margins were far in excess of normal levels justified on the basis of costs during most of 1941, at the time the Office of Price Administration imposed ceilings upon margins at inflated levels. However, by April 1942 cost factors had risen to such an extent that the prevailing mill margin appeared justified. Mill margins were analyzed in relation to (1) per unit labor costs, (2) the level of wholesale cost of lint cotton, and (3) the rate of capacity utilization as measured by the level of spindle activity.

Outlook for cotton marketing margins

The status of marketing charges on cotton products presents a sharp contrast to the status of marketing margins for foods. Apparently wholesaling and retailing of cotton products has not benefited from the changes in the institutional structure of the marketing system such as has occurred in the distribution of food products. This indicates a possibility that the distributive margins on cotton products could be narrowed under improved methods, particularly in retailing. There seems to be little hope for the narrowing of the mill margin in view of the current and prospective high rate of operation, high price levels, and increased labor cost. The total farm-to-retail marketing margin is now equal to or above levels which appear normal in relation to price, and there seems to be little reason for further widening of these margins, particularly if retail prices and rates are stabilized near current levels.

Charges for marketing and processing cottonseed are near average

The spread between the price paid farmers per ton of cottonseed and the sales value of products of cottonseed crushing mills averaged \$17.39 for the 1941-42 season beginning in August. In August 1941, when crushings by mills were relatively light, the margin was \$24.11 per ton, dropping to \$14.71 by November and averaging about \$18 during the first six months of 1942. By July when crushing had again dropped to a low level, the estimated margin rose to \$19.68. The farm to mill-sales price spread covers charges for local assembly of seed, for transportation to mills, and for crushing.

Of the \$24.83 by which the mills sales value of products for 1941-42 exceeds the 1935-39 pre-war average, \$22.36 was passed back to farmers in the form of a higher price for cottonseed, while marketing charges represented in the price spread increased \$2.47.

Table 2.- Average value of cottonseed products per ton of seed crushed, percentage of value attributed to each of the four products, farm value of cottonseed, and margin between farm price and product values for selected years and months

Year beginning August	: Value of :	:	:	: Farm :	: Percentage of product			
	: products :	: Farm :	:	: price as:	: value attributed to -			
	: per ton :	: price :	: Actual :	: percent-:	:	:	:	:
	: of :	: per :	: margin :	: age of :	: Crude :	: Cake :	: Lint-:	:
	: seed :	: ton :	:	: product :	: oil :	: and :	: Hulls:	: ers
	: 1/ :	: 2/ :	:	: value :	:	: meal :	:	:
	: Dollars.	Dollars	Dollars	Percent	Percent	Percent	Percent	Percent
1935-39 average	: 40.21	25.29	14.92	62.9	55.4	29.2	4.6	10.8
1940	: 37.80	21.72	16.08	57.5	46.6	31.6	5.3	16.5
1941	: 65.04	47.65	17.39	73.3	58.2	25.9	3.0	12.9
1941 - Aug.	: 58.96	34.85	24.11	59.1	57.4	26.0	3.4	13.2
Oct.	: 64.08	47.60	16.48	74.3	58.9	25.3	2.8	13.0
Dec.	: 64.96	48.37	16.59	74.5	57.3	26.7	3.0	13.0
1942 - Apr.	: 65.64	48.09	17.55	73.3	59.7	24.2	3.2	12.9
May	: 65.28	47.49	17.79	72.7	60.4	23.7	2.9	13.0
June	: 65.48	46.26	19.22	70.6	60.4	23.6	3.0	13.0
July.....	: 66.08	46.40	19.68	70.2	59.9	24.1	3.2	12.8
Aug. 3/....	: 65.63	43.94	21.69	67.0	60.3	24.2	3.2	12.3
Sept. 3/...	: 65.56	44.75	20.81	68.3	60.3	24.5	2.8	12.3

- 1/ Mill product prices on the basis of values reported for each season by the U. S. Bureau of the Census, interpolated by monthly wholesale market prices of the products. and extrapolated
- 2/ The monthly farm price is a weighted average of monthly prices received by farmers including several earlier months of farm sale to represent actual payment to farmers for seed crushed each month.
- 3/ Preliminary data.

Labor costs in marketing may increase

The War Labor Board recently announced its policy to approve increases in basic hourly wage rates to match increases in the cost of living over the level of January 1941. Wage changes henceforth will depend upon policies of the newly created Office of Economic Stabilization administered through the War Labor Board. By mid-August 1942 the cost of living of city families had risen about 17 percent over the levels for January 1941. Over the same period, the hourly earnings of all nonagricultural wage workers rose about 19 percent. This average for all nonagricultural workers is heavily weighted by workers in manufacturing industries whose earnings have risen most sharply. In many nonagricultural occupations, hourly earnings have not risen so much as 15 percent. Furthermore, the policy of the War Labor Board applies to basic hourly wage rates which have not increased to the same extent as have hourly earnings, due to inflation of the latter by higher rates of payment for overtime.

Fragmentary data indicate that from January 1941 to July 1942, the rise in hourly earnings exceeded the rise in basic wage rates by at least 2 percent in cotton processing, by something more than 1 percent for food processing, and by less than 1 percent in all food marketing. The hourly earning in cotton processing rose about 27 percent from January 1941 to July 1942, and it appears that the rise in basic rates far exceeds the rise in cost of living.

Despite the large increase in wages granted to railway employees in December of last year, the rise in hourly earnings of employees of Class I Steam Railways from January 1941 to July 1942 amounted to only 10 percent and basic wage rates have increased even less. In both wholesaling and retailing, hourly earnings have not kept pace with the advance in cost of living. For food marketing as a whole, the rise of hourly earnings over January 1941 was about 12 percent. This suggests that for hourly earnings in food marketing, a further increase of from 3 percent to 5 percent is possible under administration of the stated policy of the War Labor Board. Hourly earnings for marketing cotton products may show some further increase due to higher wage payments in transportation, wholesaling and retailing enterprises.

Retarde labor efficiency contributes to higher unit labor costs

Until 1941 increases in labor efficiency as measured by physical output per man hour had generally exceeded the increases in wage payments per man hour, with a resulting decline in per-unit labor cost. The increased demands upon the national labor force beginning early in 1941, together with the necessity for replacing skilled workers moving to better paid jobs with untrained workers, led to a lowered rate of improvement in labor efficiency and even to a decline in many cases. This development, in conjunction with rapidly rising hourly earnings of labor, has brought about substantial increases in labor cost per unit of output for many enterprises. To the extent that the shift of labor from civilian into war industry continues, a further lowering of labor efficiency may be expected for the rest of 1942.

Higher marketing costs due to lend-lease and military purchases

Total volumes of food and fibre products of American farms moving through marketing channels are at record high levels. A large part of these volumes are diverted from the normal marketing flow by Government purchase for military requirements and for lend-lease shipments. Government purchase usually occurs at the processing plant or in the raw material market. None of the volume purchased by the Government passes through retail markets, and little of it passes through the hands of wholesalers. It appears that the volume of farm

products moving into civilian consumption will soon begin to decline, but that the volume taken by Government purchase will continue to increase. In the early stages of marketing --- in local assembly, storage, transportation and processing --- the total volume of farm products must be handled including goods for civilian, military and lend-lease uses. This would utilize fully the capacity in enterprises performing these functions, and permit efficient operation and relatively low costs. On the other hand, the reduced volumes of goods for civilian consumption passing through retail markets and certain segments of wholesale markets will accentuate the state of excess capacity which already exists in these enterprises, particularly in food retailing. This last development would lead to higher cost in retailing and wholesaling of farm products.

FARM-RETAIL PRICE SPREADS: MONTHLY SUMMARY, SEPTEMBER 1942

The farmer's share of the consumer's food dollar dropped from 54 cents in August to 53 cents in September. Shares for both months were record highs since 1920. The farmer's share has been 50 cents or more for each month since September 1941.

Charges for marketing a family basket of foods from American farms to city consumers rose nearly 2 percent from August to September, but remained below the 1935-39 level. This resulted entirely from a 1 percent rise in retail food costs while payments to farmers for equivalent produce did not change over the month.

Temporary maximum price ceilings have been placed upon most important food products not heretofore subject to control excepting ^{most} fresh fruits and vegetables. The Office of Price Administration has defined temporary ceilings in terms of dealers' prices during the 5 days, September 28 through October 2, and will replace these with permanent maximum prices by November 5.

The Bureau of Labor Statistics reports mid-September food prices 0.4 percent above mid-August. Prices of foods not limited by the Office of Price Administration rose less on the average from August to September than did prices of controlled items due chiefly to seasonal declines for fresh fruits and vegetables. The advances in retail food prices from May to September were more general and much more pronounced for items not subject to price controlled items; although September prices of several seasonal fruits and vegetables were below May levels.

Margins of cotton mills covering charges for spinning and weaving operations are at record high levels, exceeding 22 cents per pound of lint cotton during August and September.

Prices in wholesale markets during the last 2 weeks of September advanced slightly for unprocessed farm products and foods, declined for hide and leather products, and remained unchanged for textile products.

Table 3 .- Annual family purchases of 58 foods ^{1/}

Year and month	Cost at retail	Paid to farmers	Marketing margin	Farmer's share of retail value
	Dollars	Dollars	Dollars	Percent
1913-15 (average)	256	135	121	53
1920	514	272	242	53
1929	415	195	220	47
1935-39 (average)	332	141	191	42
1940	314	132	182	42
1941	342	164	178	48
1941 - Aug.	348	172	176	49
Sept.	357	181	176	51
Oct.	361	180	181	50
Nov.	365	182	183	50
Dec.	366	189	177	52
1942 - Jan.	378	194	184	51
Feb.	381	195	186	51
Mar.	384	196	186	51
Apr.	386	201	185	52
May	392	202	190	52
June	398	204	194	51
July	401	209	192	52
Aug.	402	216	186	54

^{1/} Important food products produced by American farmers combined in quantities representing annual purchase by a typical workingman's family.

Retail price averages for 51 cities from U. S. Bureau of Labor Statistics

Table 4 .- Nonfarm family income and cost of family food purchases for selected periods ^{1/}

Year and month	Family income	Retail cost of all foods	Retail cost of 58 foods	Food cost as percentage of income
	Dollars	Dollars	Dollars	Percent
1920	1,857	688	514	37
1929	1,979	540	415	27
1933	1,105	343	264	31
1935-39 average:	1,506	408	332	27
1941	1,956	430	342	22
1942-June:	2,313	502	398	22
July:	2,342	508	401	22
Aug.:	2,366	514	402	22

^{1/} For sources of material used in this table see "Farm-Retail Price Spreads, December 1941, p.5" (Note at foot of table.)

^{2/} New series.

Table 5.- Price spreads between the farmer and the consumer
- food products, September 1942

			Retail		Farm equivalent		Farm	
	Table						Actual	value as
Retail	No.	Unit	Price	Quantity	Value	margin	percentage	
commodity	1/						of retail	price
			Cents		Cents	Cents	Percent	
Pork products	11	1 lb. prin	29.9	1.90 lb. live	25.8	4.1		86
		pork products		hog				
Dairy products	12	100 lb. milk	413.6	100 lb. milk	214.2	199.4		52
		equivalent		equivalent				
Hens	13	1 lb.	42.5	1.11 lb.	22.5	20.0		53
Eggs	14	1 doz.	55.2	1 doz.	34.7	20.5		63
White flour	15	1 lb.	5.4	1.41 lb. wheat	2.4	3.0		44
White bread	16	1 lb.	8.6	.97 lb. wheat	1.7	6.9		20
Corn meal	17	1 lb.	5.0	1.5 lb. corn	2.2	2.8		44
Rolled oats	18	1 lb.	8.7	1.78 lb. oats	2.4	6.3		28
Corn flakes	19	8-oz. pkg.	7.0	1.275 lb. corn	1.9	5.1		27
Wheat cereal	20	28-oz. pkg.	23.9	2.065 lb. wheat	3.5	20.4		15
Rice	21	1 lb.	12.5	1.51 lb. rough	5.2	7.3		42
				rice				
Navy beans	22	1 lb.	9.1	1 lb. dry beans	4.8	4.3		53
Oranges	24	1 doz.	39.1	1/17 box	12.9	26.2		33
Potatoes	25	1 lb.	3.2	1 lb.	1.8	1.4		56
Apples	35	1 lb.	6.2	1 lb.	2.5	3.7		40
Lamb products	37	1 lb. prin.	35.4	2.16 lb. live	25.7	9.7		73
		lamb cuts		lamb				
Sweet potatoes	38	1 lb.	6.4	1 lb.	2.2	4.2		34
Rye bread	39	1 lb.	9.2	.39 lb. rye &	1.5	7.7		16
				.64 lb. wheat				
Whole wh. bread	40	1 lb.	9.9	.92 lb. wheat	1.6	8.3		16
Macaroni	41	1 lb.	14.1	1.72 lb. durum	2.7	11.4		19
				wheat				
Soda crackers	42	1 lb.	16.6	1.085 lb. wheat	1.9	14.7		11
Peanut butter	44	1 lb.	27.8	1.73 lb. peanuts	9.8	18.0		35
58 foods		Annual family		Annual family				
combined	8	consumption	\$405.	consumption	\$216.	\$189.		53

1/ Table numbers refer to numbering in original 1936 report and annual supplements entitled "Price Spreads Between the Farmer and the Consumer".

2/ Preliminary.

Retail prices from the United States Bureau of Labor Statistics.

Table 6.- Price spreads between the farmer and the consumer - food products, retail price and farm values

Commodity	Retail unit	Retail price			Percentage			Farm value			Percentage		
		: Aug. : Sept. : 1942 :			: Sept 1942-from :			: 1935-39: Sept : Aug. : 1942 :			: Sept : Aug. : 1942 :		
		: 1941 : 1942 : 1941 : 1942 :			: 1941 : 1942 :			: 1941 : 1942 : 1941 : 1942 :			: 1941 : 1942 : 1941 : 1942 :		
		Cents	Cents	Cents	Cents	Percent	Percent	Cents	Cents	Cents	Percent	Percent	Percent
Pork products	1 lb. prin. pork	25.3	25.9	29.6	29.9	+ 11	+ 1	15.7	21.4	26.8	+ 21	- 4	
Dairy products	100 lb. milk equiv.	324.0	381.9	407.2	413.6	+ 8	+ 2	146.0	192.5	205.2	+ 11	+ 4	
Hens	1 lb.	31.7	32.9	42.0	42.5	+ 29	+ 1	16.5	18.1	21.8	+ 24	+ 3	
Eggs	1 doz.	36.0	46.9	51.7	55.2	+ 18	+ 7	21.7	30.3	32.2	+ 15	+ 8	
White flour	1 lb.	4.5	4.8	5.2	5.4	+ 12	+ 4	2.0	2.3	2.2	+ 4	+ 9	
White brand	1 lb.	8.2	8.4	8.6	8.6	+ 2	0	1.3	1.5	1.5	+ 13	+ 13	
Corn meal	1 lb.	5.0	4.4	4.9	5.0	+ 14	+ 2	1.8	1.9	2.2	+ 15	0	
Rolled oats	1 lb.	7.4	7.2	8.7	8.7	+ 21	0	1.9	2.2	2.4	+ 9	0	
Corn flakes	8-oz. pkg.	7.8	7.1	7.1	7.0	- 1	- 1	1.6	1.6	1.9	+ 19	0	
Wheat cereal	28-oz. pkg.	24.3	23.5	24.0	23.9	+ 2	3/	2.9	3.3	3.3	+ 6	+ 6	
Rice	1 lb.	8.2	9.1	12.4	12.5	+ 37	+ 1	2.5	3.0	5.5	+ 73	- 5	
Navy beans	1 lb.	6.9	8.0	9.0	9.1	+ 14	+ 1	3.5	4.2	4.4	+ 14	+ 9	
Oranges	1 doz.	31.5	34.1	39.5	39.1	+ 15	- 1	9.3	10.9	13.2	+ 18	- 2	
Potatoes	1 lb.	2.5	2.2	3.3	3.2	+ 45	- 3	1.2	1.1	1.9	+ 64	- 5	
Apples	1 lb.	5.5	4.7	6.6	6.2	+ 32	- 6	1.9	1.8	2.4	+ 39	+ 4	
Lamb products	1 lb. prin. lamb	27.2	30.8	35.2	35.4	+ 15	+ 1	16.2	21.8	26.1	+ 18	- 2	
Sweet potatoes	1 lb.	4.4	4.3	8.3	6.4	+ 49	- 23	1.5	1.7	2.5	+ 29	- 12	
Rye bread	1 lb.	9.1	9.0	9.2	9.2	+ 2	0	1.3	1.4	1.4	+ 7	+ 7	
Whole wheat bread	1 lb.	9.3	9.6	9.9	9.9	+ 3	0	1.3	1.5	1.5	+ 7	+ 7	
Macaroni	1 lb.	15.0	13.8	14.1	14.1	+ 2	0	2.3	2.6	2.5	+ 4	+ 8	
Soda crackers	1 lb.	16.9	15.1	16.5	16.6	+ 10	+ 1	1.5	1.7	1.7	+ 12	+ 12	
Peanut butter	1 lb.	19.3	18.9	26.8	27.8	+ 47	+ 4	6.1	7.3	10.4	+ 26	- 6	
58 foods combined	Annual family consumption	\$332	\$357	\$402	\$405	+ 13	+ 1	\$141	\$182	\$216	+ 19	0	

Retail prices are 51-city averages as published by the United States Bureau of Labor Statistics - Farm values are calculated from U. S. average farm prices.

1/ Revised. 2/ Preliminary. 3/ Less than 0.5 percent.

Table 7 .- Price spreads between the farmer and the consumer - food products, margins, and farm value as a percentage of retail price

Commodity	Retail unit	Margin		Percentage		Farm value as percentage of		retail value	
		Cents		:		:		:	
		:		:		:		:	
		1935-39: Aug.	July	Aug.	Aug.	1935-39: Aug.	July	Aug.	Aug.
		average: 1941	1942	1942	1941	average: 1941	1942	1942	1942
		Cents	Cents	Cents	Percent	Percent	Percent	Percent	Percent
		202.5	202.5	202.5	202.5	202.5	202.5	202.5	202.5
Pork products.....	1 lb.prin.pork prod.	9.6	6.0.	3.1	2.8	- 53	- 10	62	77
Dairy products.....	100 lb.milk equiv.	178.0	184.8	1/205.5	2/202.5	+ 10	- 1	45	50
Hens	1 lb.	15.2	14.8	19.0	20.2	+ 36	+ 6	52	52
Eggs	1 doz.	14.3	15.9	16.6	19.5	+ 23	+ 17	60	64
White flour	1 lb.	2.5	2.6	2.9	3.0	+ 15	+ 3	44	45
White bread	1 lb.	6.9	6.8	7.1	7.1	+ 4	0	16	17
Corn meal	1 lb.	3.2	2.4	2.6	2.7	+ 12	+ 4	36	46
Rolled oats	1 lb.	5.5	5.3	6.3	6.3	+ 19	0	26	28
Corn flakes	8-oz. pkg.	6.2	5.5	5.3	5.2	- 5	- 2	21	26
Wheat cereal.....	28-oz. pkg.	21.4	20.6	20.8	20.7	3/	3/	12	14
Rice	1 lb.	5.7	5.4	6.5	6.9	+ 28	+ 6	30	44
Navy beans	1 lb.	3.4	3.6	4.4	4.6	+ 28	+ 5	51	51
Oranges	1 doz.	22.2	21.7	25.7	26.3	+ 21	+ 2	30	30
Potatoes	1 lb.	1.3	1.2	1.8	1.4	+ 17	- 22	48	54
Apples	1 lb.	3.6	2.9	5.3	4.2	+ 45	- 21	35	38
Lamb products.....	1 lb.prin.lamb cuts	11.0	9.0	9.8	9.1	+ 1	- 7	60	72
Sweet potatoes ...	1 lb.	2.9	3.8	5.3	5.8	+ 53	+ 9	34	30
Rye bread	1 lb.	7.8	7.7	7.8	7.8	+ 1	0	14	15
Whole wheat bread	1 lb.	8.0	8.0	8.4	8.4	+ 5	0	14	15
Macaroni	1 lb.	12.7	11.6	11.5	11.6	0	+ 1	15	18
Soda crackers	1 lb.	15.4	13.4	14.8	14.8	+ 10	0	9	10
Peanut butter	1 lb.	13.2	10.9	16.3	16.4	+ 50	+ 1	32	39
58 foods combined	Annual family consumption	\$191	\$176	\$192	\$186	+ 6	- 3	42	52

1/ Revised. 2/ Preliminary. 3/ Less than 0.5 percent.

Table 8 .- Farm products: Indexes of prices at several levels of marketing,
1935-39 = 100

Year and month	Cost :		Foods :		Fibers :		Whole- :		Farm :	
	of living:	Retail:	Whole-:	Farm:	Whole-:	Farm:	sale:	prices:	prices:	Prices
	of city:	of all:	sale:	of 58:	of :	of :	of :	of :	of :	paid
	fa- milies:	foods :	prices:	foods:	cloth- ing :	textile: pro- ducts:	cotton: and :	farm : pro- ducts:	pro- ducts:	farmers
	1/	1/	2/	3/	1/	2/	4/	2/	3/	3/
1913	71	80	81	95	69	81	111	94	95	81
1914	72	82	82	97	70	77	97	94	95	80
1916	78	91	96	110	78	99	131	111	111	100
1918	108	134	151	174	128	193	281	195	190	141
1920	143	169	174	193	201	232	282	198	199	162
1929	122	132	126	138	115	127	167	138	137	123
1932	98	86	77	62	91	77	55	63	61	86
1935	98	100	106	98	97	100	109	104	102	100
1936	99	101	104	108	98	101	114	106	107	100
1937	103	105	108	113	103	107	111	114	114	105
1938	101	98	93	92	102	94	81	90	89	98
1939	99	95	89	89	100	98	85	86	88	97
1940	100	97	90	94	102	104	97	89	92	99
1941	105	105	105	116	106	119	131	108	115	105
1939 -										
Aug.		94	85	85		96	85	80	83	96
Sept.	101	98	95	95	100	101	91	90	92	98
1940 -										
Jan.		95	91	94		110	101	91	93	98
Mar.	100	96	89	91	102	104	99	89	91	99
July		97	89	91		102	96	88	89	98
1941 -										
Aug.	106	108	110	122	107	124	149	115	123	107
Sept.	108	111	113	128	111	126	168	120	131	109
Oct.	109	112	112	128	113	128	160	118	131	112
Nov.	110	113	113	130	114	128	154	119	127	113
Dec.	110	113	114	134	115	129	157	125	135	115
1942 -										
Jan.	112	116	119	138	116	132	164	133	140	117
Feb.	113	117	120	138	119	134	171	133	137	118
Mar.	114	119	122	139	124	136	174	135	137	121
Apr.	115	120	125	143	126	138	183	138	141	121
May	116	122	125	143	126	138	184	137	143	122
June	116	123	126	145	125	137	176	137	143	122
July	117	125	125	148	125	137	178	139	142	122
Aug.	117	126	127	153	125	137	174	140	152	122
Sept.	-	127	5/ 129	153	-	5/ 137	179	5/ 141	151	122

1/ From "Changes in Cost of Living" Bureau of Labor Statistics.

2/ Calculated from figures of the Bureau of Labor Statistics.

3/ Based on figures published by the United States Department of Agriculture.

4/ Cotton and wool prices weighted by production in the period 1935-39.

5/ Preliminary estimate.

Table 9 .- Indexes of food costs, consumer income and of charges and hourly earnings in marketing, 1935-39 = 100

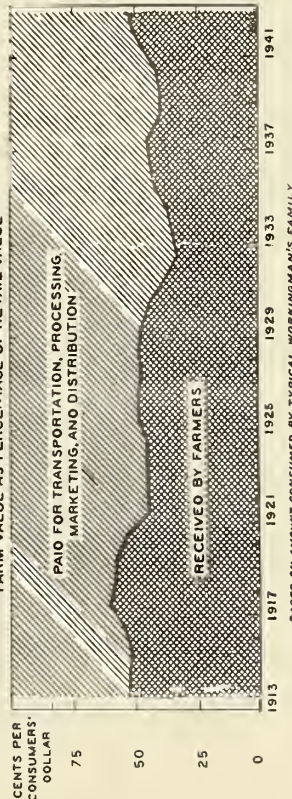
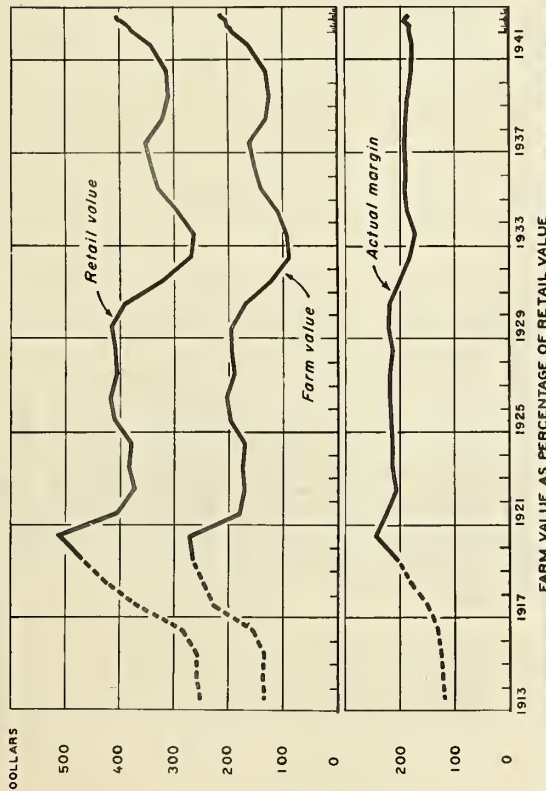
Year and month	:Retail :		Non- :		Monthly :		Payments:Marketing:		Hourly earnings in marketing enterprises				
	: cost :		: agricultural:		earnings per :		to :		margin :				
	of :	income :	payments :	factory :	employed :	farmers:	of :	Class I :	Food :	Food :	Food :	Food :	Cotton
	58 :	58 :	1/ :	worker :	2/ :	for 58 :	58 :	steam :	3/ :	4/ :	5/ :	4/ :	4/
1929	125	122	118	138	115	93	-	-	-	-	-	-	-
1935-39 average	100	100	100	100	100	100	100	100	100	100	100	100	100
1940	95	115	111	94	95	105	110	105	105	105	105	106	106
1941	103	137	131	116	93	106	116	106	110	110	110	119	119
1941 - Jan.	96	125	120	102	92	106	113	107	113	113	113	108	108
Aug.	105	141	135	122	92	103	115	110	115	115	110	124	124
Sept.	108	141	139	128	92	104	115	110	115	115	110	124	124
Oct.	109	144	140	128	95	103	118	111	121	121	111	130	130
Nov.	110	144	140	130	95	106	121	113	123	123	114	130	130
Dec.	110	150	143	134	93	119	123	114	123	123	114	130	130
1942 - Jan.	114	152	150	138	96	119	125	117	125	125	117	131	131
Feb.	115	154	149	138	97	122	125	119	125	125	119	131	131
Mar.	116	156	149	139	98	119	126	118	126	126	118	132	132
Apr.	116	158	153	143	97	118	128	119	128	128	119	132	132
May	118	160	157	143	99	118	129	120	129	129	120	136	136
June	120	6/ 164	6/ 160	145	102	117	130	120	130	130	120	136	136
July	121	6/ 167	6/ 164	148	101	117	128	120	128	128	120	137	137
Aug.	121	7/ 169	7/ 167	153	97								

1/ United States Department of Commerce estimates. Adjusted for seasonal variation. Now series.

2/ Prepared in the Bureau of Agricultural Economics from data of the U. S. Bureau of Labor Statistics, adjusted for seasonal variation. 3/ Compiled from data published by the Interstate Commerce Commission.

4/ United States Bureau of Labor Statistics. 5/ Weighted composite of earnings in steam railways, food processing, wholesaling, and retailing. 6/ Revised. 7/ Preliminary estimates.

RETAIL AND FARM VALUE OF 58 FOODS, UNITED STATES, 1913-42



U. S. DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

Charges for marketing farm food products have been relatively low in recent years. In August 1942 the farmer's share of the retail food dollar reached 54 cents, a record high since the early 1920's. Retail cost of domestic foods has not yet reached the 1929 level. Nearly all of the large increase in consumers' expenditures for foods since the war began in 1939 was passed back to farmers in the form of higher payments for food products.

58 foods: Estimated retail value and equivalent farm value of quantities purchased annually by a typical workingman's family, United States, 1913-42

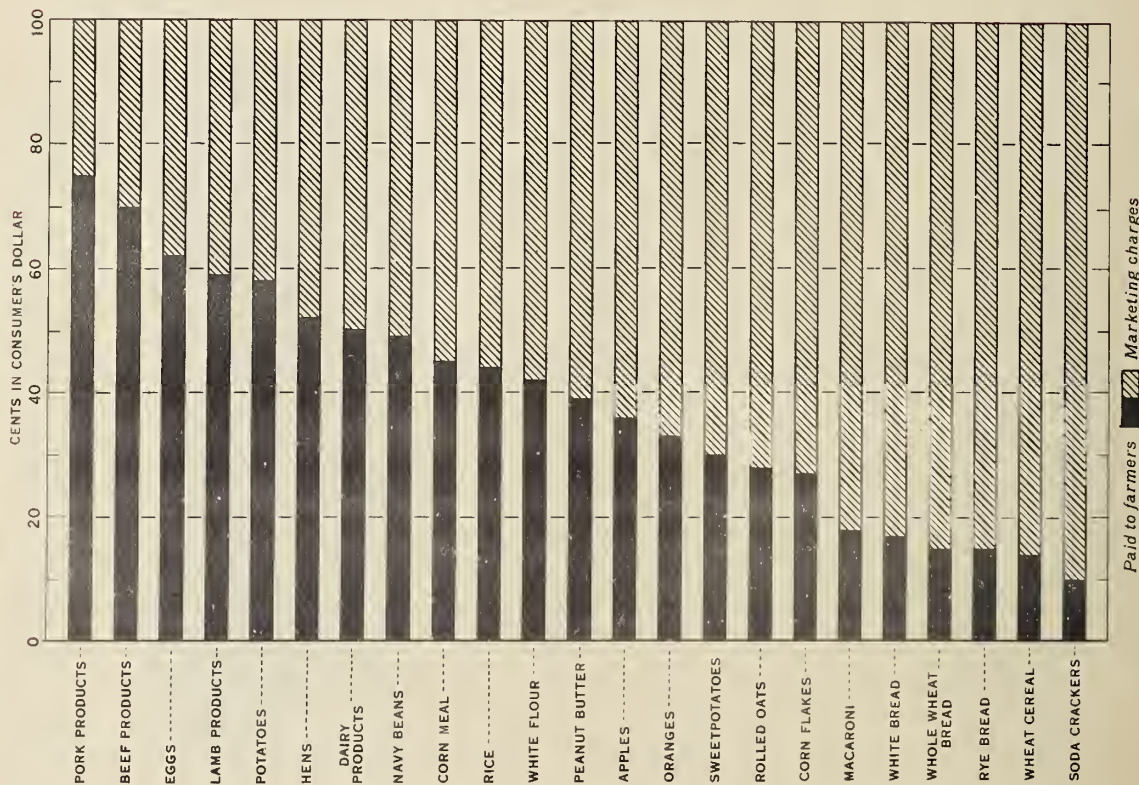
Year	Farm value Dollars	Retail value Dollars	Margin Dollars	Farm value as percent- age of retail value Percent
1913	134	292	118	53
1914	137	296	121	53
1915	134	298	124	52
1916	155	285	130	54
1917	223	370	147	60
1918	245	424	179	58
1919	267	470	203	57
1920	272	514	242	53
1921	179	404	225	44
1922	170	374	204	45
1923	173	384	211	45
1924	170	381	211	45
1925	198	410	212	48
1926	202	418	216	48
1927	190	406	216	47
1928	194	407	213	48
1929	195	415	220	47
1930	171	391	220	44
1931	121	322	201	38
1932	88	270	182	33
1933	92	264	172	35
1934	108	295	187	37
1935	138	331	193	42
1936	192	342	190	44
1937	160	353	193	45
1938	130	321	191	40
1939	126	311	185	41
1940	132	314	182	42
1941	164	342	178	48
1942 -				
Jan.	194	378	184	51
Feb.	195	381	186	51
Mar.	196	384	186	51
Apr.	201	386	185	52
May	202	392	190	52
June	203	398	195	51
July	209	401	192	52
Aug.	216	402	186	54

Estimates of annual purchases of foods by a typical workingman's family were obtained from the 1918-19 Cost of Living Survey made by the U. S. Bureau of Labor Statistics. The 58 foods include meat, dairy and poultry products, bakery and cereal products, a number of fresh and canned fruits and vegetables, and several miscellaneous items.

1/ Retail price data are from the U. S. Bureau of Labor Statistics, farm price data are principally those estimated by the Bureau of Agricultural Economics.

2/ No allowance is made for processing taxes on wheat, rye, rice, hogs, corn, peanuts, and sugar, which, on the quantities of these products included in annual family purchases, amounted to about \$2 in 1933, \$10 in 1934, and \$11 in 1935.

FOOD PRODUCTS: THE FARMER'S SHARE OF THE CONSUMER'S DOLLAR, AUGUST 1942

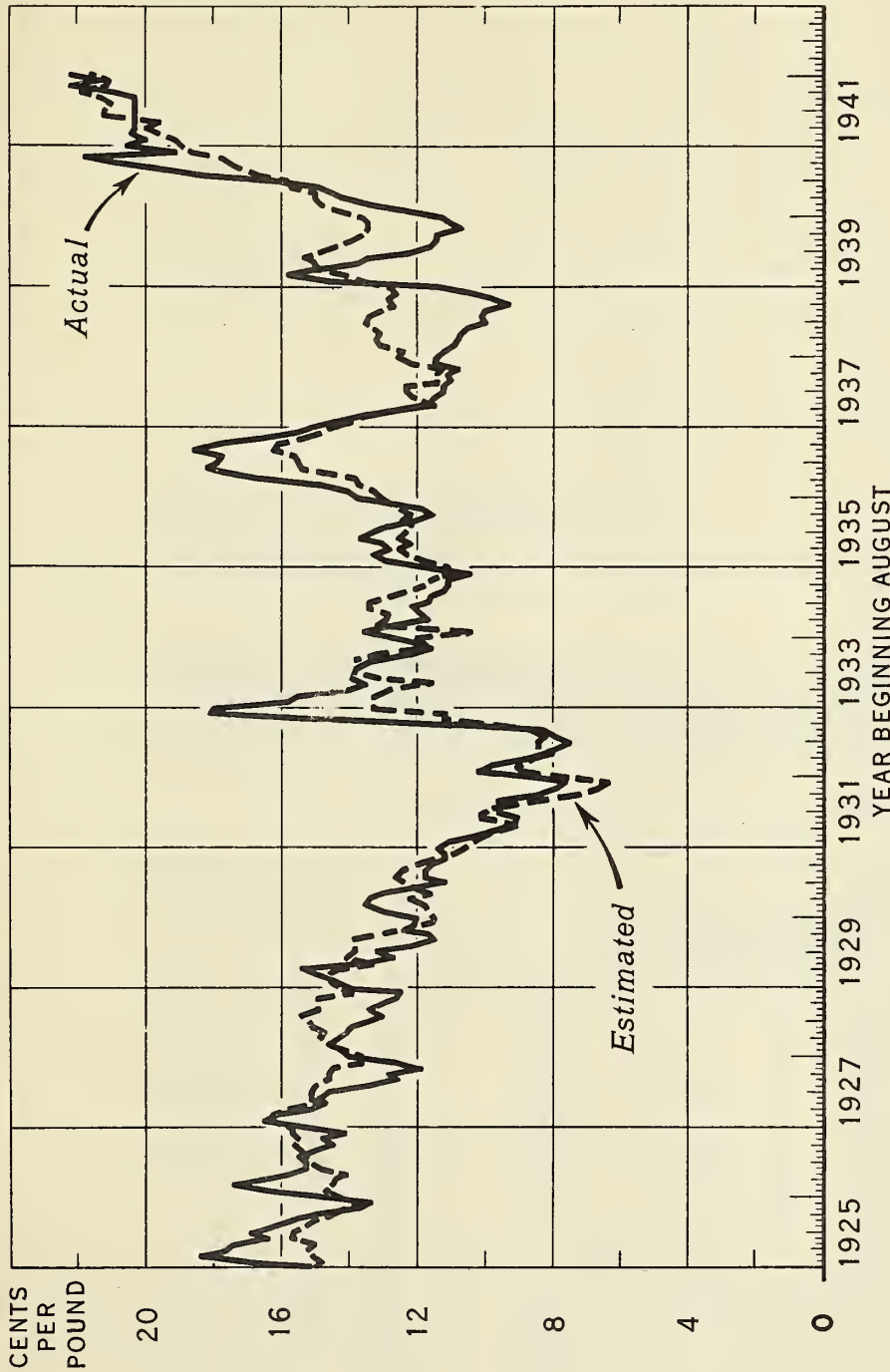


Food products: The farmer's share of the consumer's dollar, August 1942

Item	Aug. 1942	
	Retail price	Farmer's share
Beef products.....	100	70
Pork products.....	100	75
Lamb products.....	100	59
Hens.....	100	52
Eggs.....	100	62
Dairy products.....	100	50
White bread.....	100	17
Whole wheat bread.....	100	15
Rye bread.....	100	15
Soda crackers.....	100	10
White flour.....	100	42
Wheat cereal.....	100	14
Macaroni.....	100	18
Corn meal.....	100	45
Corn flakes.....	100	27
Rolled oats.....	100	28
Rice.....	100	44
Navy beans.....	100	49
Potatoes.....	100	58
Sweet potatoes.....	100	30
Oranges.....	100	33
Apples.....	100	36
Peanut butter.....	100	39
58-foods combined.....	100	54

In August 1942 the farmer's share of the retail price was greatest for meat, dairy and poultry products, and potatoes, and smallest for the highly processed and packaged items such as wheat cereal and soda crackers.

**COTTON MILL MARGINS: ACTUAL AND ESTIMATED FROM PER UNIT
LABOR COSTS, SPINDLE ACTIVITY, AND COTTON PRICE, 1925-42***



* BASED ON A MULTIPLE CORRELATION ANALYSIS

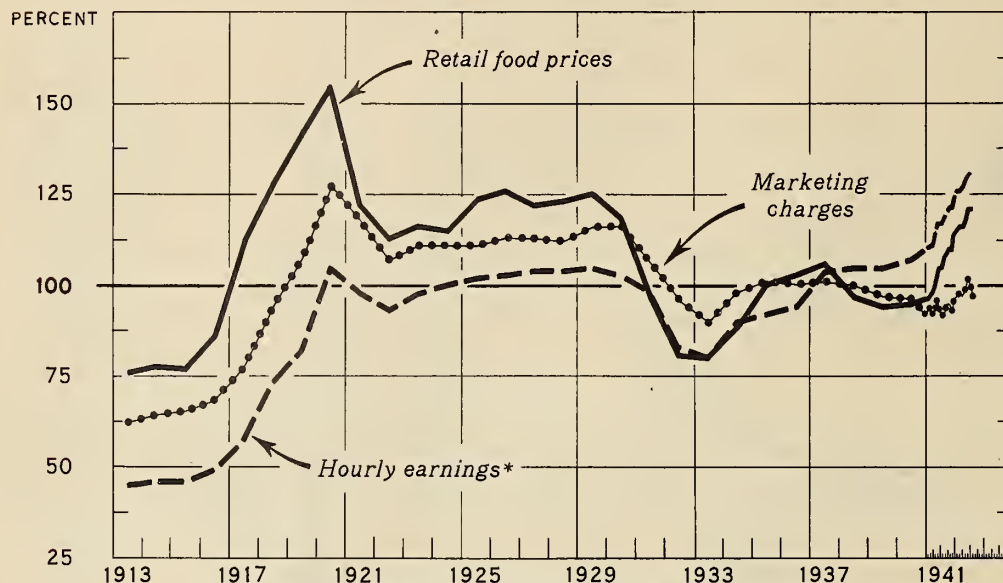
U. S. DEPARTMENT OF AGRICULTURE

NEG. 42375 BUREAU OF AGRICULTURAL ECONOMICS

MILL MARGINS REPRESENT CHARGES FOR SPINNING AND WEAVING 17 CONSTRUCTIONS OF UNFINISHED COTTON CLOTH. ESTIMATED MARGINS REPRESENT NORMAL LEVELS OF CHARGES FOR THESE OPERATIONS IN RELATION TO 3 SELECTED COST FACTORS AND INCLUDE NORMAL MARGINS OF PROFIT. DURING MOST OF 1941 COTTON MILLS WERE TAKING MARGINS MUCH HIGHER THAN APPEARED NORMAL IN RELATION TO COSTS. SINCE THEN THE RECORD HIGH MILL MARGINS WERE IN LINE WITH "NORMAL" MARGINS ESTIMATED FROM COST FACTORS.

CHARGES FOR MARKETING FARM FOOD PRODUCTS, RETAIL FOOD PRICES, AND HOURLY EARNINGS OF NONAGRICULTURAL WORKERS, UNITED STATES, 1913-42

INDEX NUMBERS (1935-39=100)



* BASED ON DATA FROM BUREAU OF LABOR STATISTICS. ESTIMATED AFTER 1935 FROM HOURLY EARNINGS IN SELECTED INDUSTRIES

U. S. DEPARTMENT OF AGRICULTURE

NEG. 31094 BUREAU OF AGRICULTURAL ECONOMICS

Farm-retail marketing margins represent charges for marketing food products from farmers to consumers. Marketing charges are associated with the levels of retail prices of foods and with hourly earnings of workers in marketing enterprises. During recent years it appears that more efficient use of labor has offset higher costs per hour. Current marketing charges are below normal in relation to retail food prices and hourly earnings.

Charges for marketing farm food products, retail food prices, and hourly earnings of nonagricultural workers, United States, 1913-42
Index numbers (1935-39 = 100)

Year	Marketing charges	Hourly earnings	Retail prices	Year and month	Marketing charges	Hourly earnings	Retail prices
1913	62	45	76	1941 -			
1914	64	46	78	Jan.	92	110	96
1915	65	46	78	Feb.	93	110	96
1916	68	49	86	Mar.	94	111	97
1917	77	57	112	Apr.	92	111	98
1918	94	73	128	May	93	115	100
1919	107	82	142	June	96	117	104
1920	127	105	155	July	93	117	105
1921	118	98	122	Aug.	92	117	105
1922	107	93	113	Sept.	92	119	108
1923	111	98	116	Oct.	95	120	109
1924	111	100	115	Nov.	95	122	110
1925	111	102	124	Dec.	93	121	110
1926	113	103	126				
1927	113	104	122	1942 -			
1928	112	104	123	Jan.	96	125	114
1929	116	105	125	Feb.	97	126	115
1930	116	103	118	Mar.	98	126	116
1931	106	98	97	Apr.	97	127	116
1932	96	83	81	May	99	129	118
1933	90	80	80	June	102	130	120
1934	98	90	89	July	101	-	121
1935	101	92	100	Aug.	97	-	121
1936	100	94	103				
1937	101	104	106				
1938	100	105	97				
1939	97	105	94				
1940	96	107	95				